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GOVERNMENT EXPENDITURE BY FUNCTION IN THE EU

This edition of 'Statistics in Focus' presents data on government expenditure in the Member States by function.¹ These functions are classified according to the UN's COFOG classification.²

Eight Member States, accounting together for nearly 80% of the EU's Gross Domestic Product (GDP), provided detailed and comparable data.

As COFOG data are the only data capable of affording a functional breakdown of government expenditure, they provide interesting insights into longer term trends, even though the Member

States currently supply figures only until 1993 (Denmark, Italy and the United Kingdom until 1995).

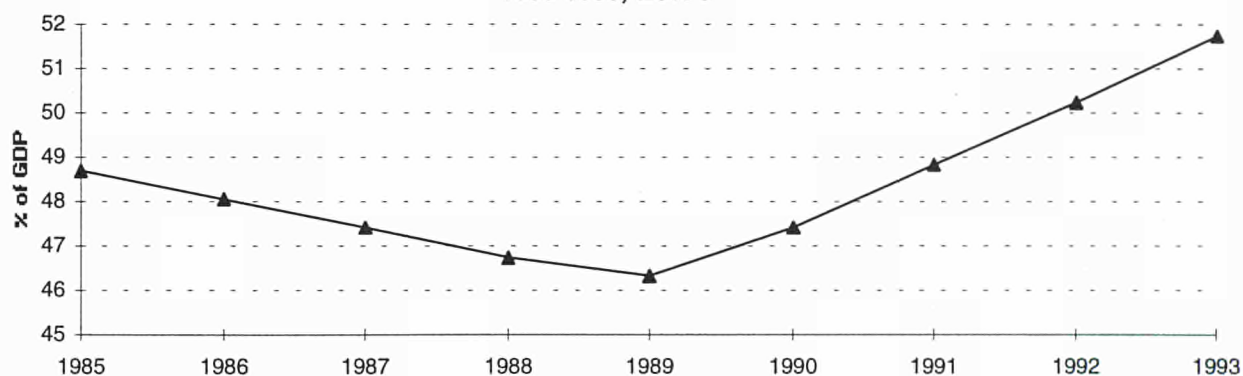
A noticeable increase in government expenditure up to 1993

Figure 1 shows the average change in total expenditure over the nine years to 1993 for the eight Member States for which data are available.

From a level of almost 49% of GDP in 1985, the percentage fell continuously to a low of 46.3% in 1989 and then rose steadily again, reaching almost 52% in 1993 (Table 1).



Figure 1: Total government expenditure as a percentage of GDP
1985-1993, EUR 8



EUR 8 = EU excluding B, EL, L, NL, A, S, FIN.

¹The data presented here also feature in the annual publication 'General Government Accounts and Statistics' and the regularly updated 'New Cronos' database. Detailed information on the comprehensive range of figures in the 'New Cronos' database can be obtained from the Eurostat Data Shop, 2 rue J. Engling, L-1466 Luxembourg. Tel: +352.4335.22.51; Fax +352.4335.22.221.

²United Nations, Classification of the functions of government, Statistical Papers, Series M, New York 1980.

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For almost all of the eight countries listed, the pattern of change in expenditure over time is comparable, albeit at varying levels; only Ireland has a somewhat different development, with a significant drop to 1989 followed by a slight increase to 1993 (Table 2).

A substantial increase in Community and social services expenditure...

According to the COFOG classification, government expenditure is subdivided into four main expenditure categories: *General government services*, *Community and social services*, *Economic services* and *Other functions*.

With an average share of over 30% of GDP, *Community and social services* expenditure is the largest component of government expenditure. Having increased by +3.3% of GDP between 1985 and 1993, it has contributed significantly to the rise in overall government expenditure (Table 1).

The category *Community and social services* can be split up into several functions. The most important are: *Social security and welfare services* with an average of 55.8% of total expenditure for this category, followed by *Health affairs and services* (21%) and *Education affairs and services* (15%) (Figure 2).

An examination of the changes in the *Community and social services* category between 1985 and 1993 shows that in the countries listed, the increase was brought about primarily by higher expenditure in the area of *Social security and welfare services*. Only in Portugal has there been a greater rise in *Education* than in *Social security* expenditure.

The exception to this is Ireland, where a drop in the level of expenditure for all functions under the category of *Community and social services* can be seen.

Almost all countries have also recorded higher *Health* spending, the difference between 1985 and 1993 being most marked in Spain and Portugal, which increased their expenditure by more than 1% of GDP (Figure 3).

The COFOG classification

As well as providing details of the level of total government expenditure, the COFOG classification also breaks down government expenditure into functions and higher level categories (Table 1).

The category *General government services* covers the expenditure necessary for the management and organisation of a country; functions include, for example, the areas of *Defence* and *Public order and safety*.

The category *Community and social services* covers general and social expenditure which mainly benefits households; the most important functions are *Social security and welfare*, *Health* and *Education*.

The category *Economic services* covers expenditure to regulate and improve a country's economic conditions; functions include, for example, *energy* and *agriculture*.

The category *Other functions* concerns outlays that cannot be covered under any of the above categories, primarily interest payments on the public debt.

Through an examination of expenditure on the various functions as a proportion of total expenditure and long-term expenditure trends, the main aspects of government spending policy as well as possible shifts in policy emphasis can be established.

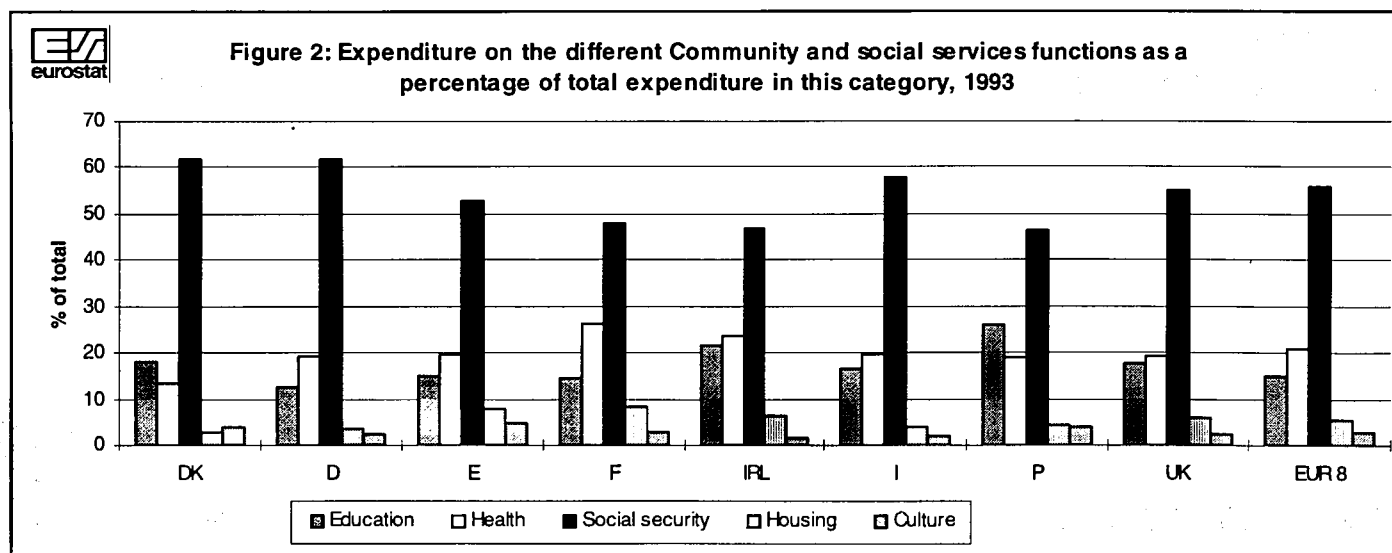
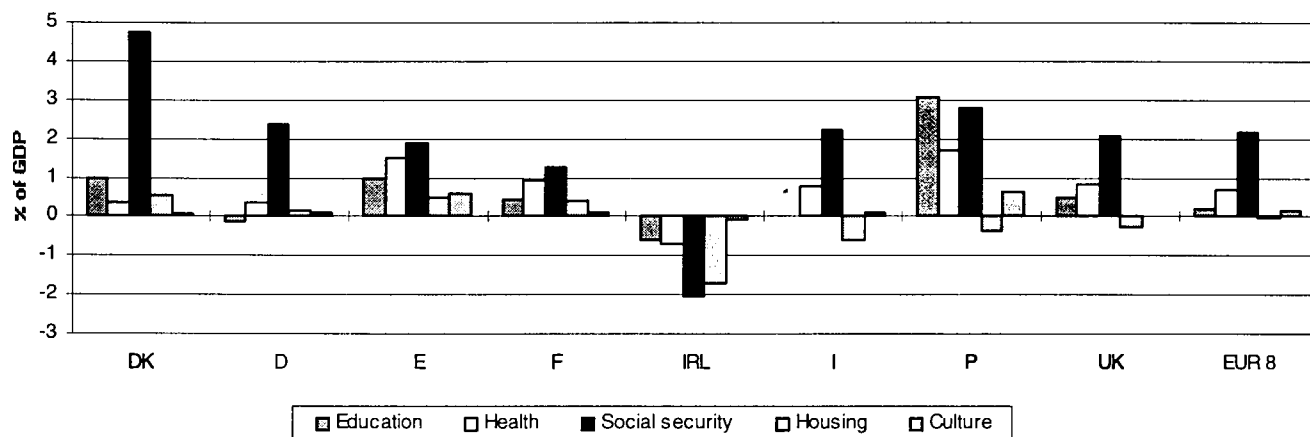


Figure 3: Changes in the expenditure on the different functions of the Community and social services category as a percentage of GDP, 1985-1993



... with a drop in expenditure on General government services

The share of expenditure on *General government services*, the second largest area of expenditure, tended to fall during the period under review (Table 1).

All countries listed showed a noticeable drop in *Defence* expenditure, both in relation to GDP and to its importance in terms of total expenditure in the *General government* category (Figure 4).

In 1993, Germany and the United Kingdom spent over 10% less on *defence* as a proportion of total expenditure on *General government services* than in 1985.

Over the same period, expenditure on *Public order and safety* increased, with varying significance among Member States. Portugal and Spain topped the list, with ten percentage points more expenditure in this category in 1993 than in 1985.

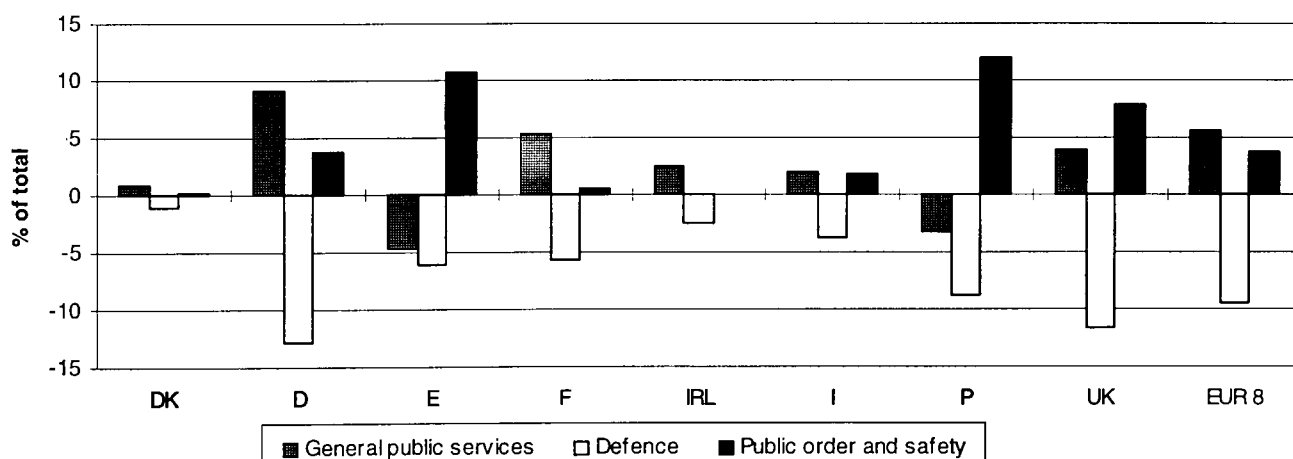
Spain and Portugal were the only countries to decrease their expenditure on *General public services* in 1993. All other countries considered spent more in this category in 1993 than in 1985.

Table 1: Expenditures by category in the EU as a % of GDP

	Community and social services	General government services	Economic services	Other functions	Total*
1985	31.3	7.9	5.1	4.6	48.7
1986	31.2	7.5	4.9	4.7	48.1
1987	30.9	7.5	4.7	4.5	47.4
1988	30.4	7.5	4.7	4.4	46.7
1989	30.2	7.3	4.6	4.6	46.3
1990	30.4	7.8	4.8	4.7	47.4
1991	32.0	7.5	4.9	4.8	48.8
1992	33.3	7.3	4.7	5.2	50.2
1993	34.6	7.5	4.8	4.8	51.8

* Total values may deviate as a result of rounding

Figure 4: Changes in the expenditure on the different functions of the General government category, as a percentage of the total, 1985-1993



No uniform trends in the remaining categories

Table 2 shows the changes since 1985 in all the functions categorised according to the COFOG classification.

For most of the countries, expenditure on *Economic services* followed the trend for overall expenditure i.e. a drop in spending at the end of the 1980s, followed by an increase to a level higher than in 1985.

Expenditure declined steadily in Italy and the United Kingdom. The most noticeable changes between 1985 and 1993 occurred in Portugal (-4.3% of GDP) and Ireland (-2.2% of GDP).

The *Other functions* category comprises first and foremost interest charges on the public debt. No uniform trend overall can be established for the countries listed. While a comparison between 1985 and 1993 shows a strong increase in expenditure in this category in Italy and Portugal, the figures fell as a proportion of GDP in Ireland, Denmark and the United Kingdom.

On average in the EU, there was a tendency for expenditure on *Economic services* to fall slightly (-0.3% of GDP), while in the area of *Other functions* a slight increase (+0.2% of GDP) was noted.

Conclusion

The eight Member States examined here have similar tendencies in government expenditure. The breakdown according to the COFOG classification shows that there was an increase in almost all of the countries listed in 1993 compared with 1985, despite the fall towards the end of the 1980s.

Exceptions are Ireland, which succeeded in decreasing expenditure from 1985, and the United Kingdom, where expenditure stagnated.

In terms of functional expenditure, all of the countries listed show a uniform decrease in *Defence spending*, with Germany (-12.9% as a proportion of total expenditure in the general government category) and the United Kingdom (-11.6%) showing a greater drop than the European average (-9.4%).

The largest increase occurred in the *Community and social services* category, in particular for the area of *Social security and welfare services* which, with a proportion of over 50% of total expenditure, is also the most important area of spending within this category.

In addition, the level of expenditure on both *Health* and *Education* rose to a varying degree among the Member States.

Table 2: General government expenditure by function as a percentage of GDP

EU eurostat	General government services			Community and social services					Economic services					Other functions	
	General public services	Defence affairs and services	Public order and safety affairs	Education affairs and services	Health affairs and services	Social security and welfare affairs and services	Housing and community amenity affairs and services	Recreational, cultural and religious affairs and services	Fuel and energy affairs and services	Agriculture, forestry, fishing and hunting affairs and services	Mining, manufacturing and construction affairs and services	Transportation and communication affairs and services	Other economic affairs and services	Expenditures not classified by major group	Total
	1985														
DK	3.89	2.13	1.06	6.69	5.28	21.28	0.67	1.52	0.22	0.51	0.26	2.37	1.68	10.65	58.21
D	2.97	2.84	1.66	4.56	6.39	19.12	1.11	0.76	0.24	0.41	0.10	2.05	1.33	2.97	46.51
E	2.28	1.99	1.29	3.75	4.67	14.78	2.01	0.92	0.37	1.05	1.09	2.69	0.81	4.90	42.60
F	3.95	3.43	0.96	5.57	9.82	18.30	2.97	1.06	:	1.09	:	1.64	1.07	2.68	52.54
IRL	6.29	1.51	:	5.93	6.43	13.45	3.24	0.52	:	2.03	1.76	2.49	1.93	10.16	55.74
I	4.55	2.09	1.64	5.14	5.46	16.00	1.89	0.54	0.47	0.89	1.15	3.96	0.50	7.15	51.43
P	1.99	2.22	1.42	3.91	3.40	9.61	1.56	0.44	0.17	0.73	2.44	1.64	6.44	8.46	44.43
UK	1.67	5.11	1.75	4.85	5.02	14.72	2.08	0.63	0.63	0.41	0.47	1.54	1.13	5.52	45.53
	1990														
DK	3.96	2.06	1.10	7.17	5.31	23.65	0.83	1.51	0.15	0.37	0.29	1.85	2.19	7.34	57.78
D	4.75	2.24	1.58	4.06	5.94	17.82	1.14	0.76	0.42	0.33	0.08	1.67	1.31	2.57	44.67
E	1.83	1.55	1.35	4.17	5.11	14.85	2.29	1.22	0.14	0.90	0.33	2.87	1.47	5.57	43.65
F	3.91	3.19	0.94	5.36	7.31	19.65	2.72	1.08	:	1.06	:	1.45	0.91	2.79	50.37
IRL	5.36	1.26	:	4.79	5.04	10.61	1.65	0.41	:	1.42	1.00	1.95	1.26	7.71	42.46
I	4.22	1.94	1.78	5.40	6.35	16.64	1.44	0.58	0.31	0.82	0.94	3.69	0.47	9.05	53.63
P	2.56	2.33	1.99	5.83	4.29	10.08	0.91	0.74	0.26	1.44	0.35	1.94	1.83	11.83	46.38
UK	1.93	4.17	1.99	4.86	5.05	13.00	2.05	0.67	1.04	0.21	0.21	1.45	1.24	3.90	41.77
	1993														
DK	3.92	2.03	1.06	7.65	5.63	26.03	1.23	1.58	0.25	0.41	0.23	1.93	2.42	7.71	62.08
D	3.26	1.67	1.73	4.44	6.72	21.50	1.26	0.89	0.33	0.40	0.09	2.07	1.65	3.26	49.27
E	1.72	1.41	1.61	4.71	6.16	16.66	2.50	1.49	0.17	1.13	0.45	2.83	1.64	6.51	48.99
F	4.49	3.01	1.02	6.00	10.76	19.55	3.37	1.19	:	0.62	:	1.13	2.98	1.57	55.69
IRL	5.80	1.17	:	5.32	5.74	11.42	1.52	0.43	:	1.57	1.22	2.17	1.10	6.45	43.91
I	4.97	1.88	1.89	5.15	6.25	18.22	1.27	0.63	0.32	0.77	1.05	3.28	0.51	11.68	57.87
P	2.31	2.20	2.66	7.01	5.11	12.40	1.21	1.10	0.27	1.19	1.04	2.69	1.97	11.78	52.94
UK	1.90	3.91	2.30	5.34	5.85	16.81	1.83	0.67	0.40	0.30	0.21	1.51	0.84	3.26	45.13

NB: Some of the data for Spain for 1993 have been estimated.